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July 24, 1997

VIA OVERNIGHT DELIVERY

Office of the Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

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Re: Comments of VarTec Telecom, Inc. and CommuniGroup of KC, Inc.- Petition for Rulemaking Regarding Billing and Collection Services: RM-9108

Dear Sir or Madam:

Enclosed please find an original and four copies of VarTec Telecom, Inc. and CommuniGroup of KC, Inc.'s Comments for filing in the above-referenced proceeding. One copy of this filing has been submitted to the International Transcription Service as required.

Please direct any questions or correspondence regarding the filing to the undersigned. Thank you for your time and consideration of this matter.

Respectfully submitted,


Naomi Chen

Regulatory Analyst

Enclosure

cc: Michael G. Hoffman, Esq.
General Counsel and Senior Vice President
Department of Legal and Regulatory Affairs

David L. Jones
President
CommuniGroup of KC, Inc.



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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**INCUMBENT LOCAL EXCHANGE CARRIERS
PROVIDING INTEREXCHANGE CARRIERS
WITH BILLING AND COLLECTION SERVICES AND
ACCESS TO CASUAL CALLING
CUSTOMER BILLING INFORMATION**

**MCI TELECOMMUNICATIONS CORPORATION,
Petitioner**

PETITION FOR RULEMAKING

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RM-9108

COMMENTS OF VARTEC TELECOM, INC. and COMMUNIGROUP OF KC, INC.

VarTec Telecom, Inc. ("VarTec") and CommuniGroup of KC, Inc. ("CGI"), collectively referred to as the "Companies" hereby submit their comments in response to MCI's Petition for Rulemaking ("Petition") concerning the incumbent local exchange carriers' ("ILEC") requirement, by law, to provide interexchange carriers ("IXC") with access to billing and collection services as well as the associated casual calling customer billing information. VarTec and CGI support MCI's position to request rules requiring local exchange carriers to provide billing and collection services to providers of non-subscribed interexchange services providers. Accordingly, the Companies request that the Commission grant the Petition for Rulemaking as proposed by MCI.

I. INTRODUCTION

VarTec and CGI are switch-based telecommunications carriers that provide interexchange telecommunications services to residential and business customers both domestically and internationally. The Companies' high-quality, competitively-priced services include direct-dialed long distance, travel services, and "800" services. VarTec and CGI's customers have the option to presubscribe to the Companies' services or access the Companies' services "casually" by dialing a 10XXX Carrier Access Code ("CAC"). VarTec and CGI are carriers in the dial-around industry which is a rapidly growing segment in the telecommunications market. The Companies' primary means of soliciting new customers is through direct mail marketing which emphasizes the use of the Companies' CACs. The casual CAC dialing option allowing consumers equal access and subsequently the ability of IXC's to bill customers for the long distance calls placed utilizing the CAC is critical in terms of promoting consumer interest and maintaining competition in the telecommunications market.

II. DIAL-AROUND PROMOTES CONSUMER INTEREST

In 1984, the break-up of AT&T into separate Bell Operating Companies ("BOCs"), known as Divestiture, opened the telecommunications market to the emergence of dial-around long distance companies such as VarTec and CGI. The dial-around companies capitalized on the equal access opportunity in which ILECs are legally obligated to provide. The dial-around companies such as VarTec and CGI have spent millions of dollars promoting the casual calling option, thus opening the telecommunications market to more competition and providing consumers with true choice in

long distance. The dial-around companies offer and market their CACs which allow consumers to utilize the long distance carrier of their choice without having to change their presubscribed interexchange carrier ("PIC") and incur the PIC change fees. The equal access requirement and the CAC options clearly favor the consumer. Consumers are not obligated to make a commitment to a long distance provider and are therefore provided the opportunity to choose a carrier on a per call basis. Without customer billing information, dial-around companies will no longer be able to provide the casual CAC alternative, and thus consumers' choice for a casual long distance carrier will be eliminated.

The casual calling (10XXX) concept has gained significant exposure and consumer acceptance in the market. VarTec and CGI, as well as other dial-around companies, advertise by means of direct-mail campaigns emphasizing the 10XXX CAC in an attempt to build and capitalize on brand awareness. The Companies' marketing literature stresses the use of their respective CACs and states that consumers do not need to sign up or cancel their primary long distance carrier. In 1996, millions of consumers accessed VarTec and CGI's services by utilizing the Companies' CACs. These millions of consumers elected to dial on a casual basis, an option dial-around companies will not be able to provide without access to casual customer billing information. Consumers will thus lose the ultimate benefit of choice in long distance.

III. BILLING AND COLLECTION SERVICES AS WELL AS CUSTOMER BILLING INFORMATION IS NEEDED IN ORDER TO MAINTAIN AND FURTHER COMPETITION IN THE MARKET

VarTec and CGI rely primarily on billing and collection agreements with the LECs to bill and collect payment from their customers. Currently, the billing and collection contracts provide the most economical as well as efficient manner to bill and subsequently obtain payment from customers for long distance services rendered. Such billing and collection contracts with the LECs are essential to maintaining and realizing a reasonable level of profitability and competitive viability in the marketplace. VarTec and CGI agree that the three billing and collection alternatives outlined by MCI in its Petition are prohibitive, or with respect to creation of a billing and collection clearinghouse, not realizable in the near future. VarTec and CGI's initial venture into direct billing in areas not served by LEC billing contracts or CLEC customers has shown that the amount of "unbillables" or bad debt has risen dramatically due to lack of positive customer identification. As stated by MCI, VarTec and CGI have not uncovered any other viable alternative entities that can provide billing and collection as accurately and universally as the LECs. Due to the fact that dial-around companies do not enter into a contract with their casual customers, it is not reasonably feasible for the companies to know the casual consumer's name and billing address information. Dial-around companies must therefore rely on the ILECs who own the telephone infrastructure to provide the most current and accurate casual customer billing information and/or provide billing and collection services on their behalf. As part of billing and collection services with the ILECs, VarTec and CGI currently have contractual agreements to obtain customer billing information. It is the Companies' experience that customer billing information obtained from other sources has been out-

dated and/or inaccurate. The Companies do not believe any other options are currently available in order to obtain accurate and timely casual customer billing information. Dial-around companies would have to discontinue offering the casual calling option if ILECs cease offering billing and collection services and subsequently refuse to provide the customer billing information. Lack of the information will be a threat to the profitability and existence of the dial-around companies and prevent true telecommunications competition.

The situation is further aggravated by the emergence of competitive local exchange carriers ("CLEC") and local exchange resellers into the market. Two complications exist for IXC's, including dial-around companies, when faced with providing long distance service to CLEC customers. First, the IXC companies do not have means to identify when a customer switches his or her local telephone service from an ILEC to a CLEC or LEC reseller. Consequently, the IXC or dial-around company that has billing and collection agreements with the ILEC will continue to send call information to the ILEC for a CLEC customer's long distance calls for billing. The IXC will eventually learn that its customer is no longer an ILEC customer when it receives the customer's long distance call data returned by the ILEC as "unbillable". The "unbillable" notification is received from the ILEC, at earliest, thirty days later, and often is not received until ninety to 120 days after the customer has ceased to be an ILEC customer. Although some ILECs may provide information that would indicate that a customer has changed his or her choice of local telephone service to a CLEC, the information relay process is inconsistent throughout the industry. Further, the information does not include the specific CLEC chosen by the customer, thus rendering it impossible for IXC's to locate and bill the casual customer directly without the customer's name and address

information. Clearly, the second and relative complication involves the lack of customer billing information. IXC's such as VarTec and CGI do not have billing and collection agreements with the CLEC's. Further, many CLEC's and LEC resellers do not plan to enter into billing and collection agreements with the IXC's or dial-around companies. It is therefore crucial that the IXC's be able to obtain customer billing information in order to identify and bill their customers, presubscribed or casual, for long distance usage directly.

IXC's, including the dial-around companies, will be severely disadvantaged unless the companies can have access to customer billing information. The complications brought on by the emerging CLEC market has caused a substantial escalation in the amount of "unbillables" and bad debt for the companies. For example, VarTec and CGI must commit significant expenses and resources in order to attempt to recover its long distance charges of "unbillable" accounts from customers who switched to a CLEC. Due to the lag time in identifying that a customer has switched to a CLEC, the IXC's must bill in arrears for the CLEC customer, an option that will only be possible if the Companies have the customer billing information to directly bill the customer.

Refusal by the local exchange carriers to provide casual customer billing information is anti-competitive in favor of the ILEC's and CLEC's. Dial-around companies will virtually cease to exist unless casual calling customer billing information can be obtained allowing the companies to recover the long distance charges. VarTec and CGI believe that access to casual customer billing information is critical to the survival of the dial-around companies and to the continued development of competition in telecommunications as facilitated by the Telecommunications Act of 1996.

IV. CONCLUSION

For the foregoing reasons, VarTec and CGI request that the Commission adopt the declarations stated in MCI's Petition. The dial-around companies have successfully created a new segment in the long distance market that ultimately gives consumers increased long distance alternatives and better pricing due to competitive market pressures. As evidenced by the emerging CLEC market, future changes in the telecommunications environment will increase the importance of information exchange between telecommunications entities. Access to reasonable billing and collection agreements as well as disclosure of casual customer billing information are essential in sustaining Equal Access and the objectives of consumer interest and competition as intended by the Telecommunications Act of 1996.

Respectfully submitted,



Michael G. Hoffman, Esq.

General Counsel &

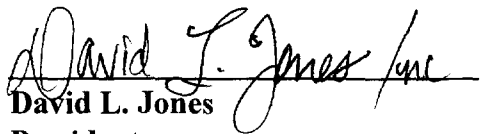
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Dated: July 24, 1997

MGH/nc